

FINANCIAL AUDIT  
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT  
OF THE

DEPARTMENT OF ATTORNEY GENERAL

October 1, 2000 through September 30, 2002



# Michigan *Office of the Auditor General* **REPORT SUMMARY**

## **Financial Audit**

*Including the Provisions of the Single Audit Act  
October 1, 2000 through September 30, 2002*

**Department of Attorney General**

**Report Number:**  
11-100-03

**Released:**  
June 2003

*A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with State compliance requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.*

### **Financial Schedules:**

#### **Auditor's Report Issued**

We issued an unqualified opinion on the Department's financial schedules.

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#### **Internal Control Over Financial Reporting**

We did not report any findings related to internal control over financial reporting.

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#### **Noncompliance Material to the Financial Schedules**

We did not identify any instances of noncompliance applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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### **Federal Awards:**

#### **Auditor's Reports Issued on Compliance**

We audited 2 programs as major programs and issued 2 unqualified opinions. The federal programs audited as major programs are identified on the back of this summary.

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#### **Internal Control Over Major Programs**

We did not report any findings related to internal control over major programs.

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#### **Required Reporting of Noncompliance**

We did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

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***Systems of Accounting and Internal Control:***

We determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.

~ ~ ~ ~ ~

We audited the following programs as major programs:

<b><u>CFDA Number</u></b>	<b><u>Program Title</u></b>	<b><u>Compliance Opinion</u></b>
16.579	Byrne Formula Grant Program	Unqualified
93.775	State Medicaid Fraud Control Units	Unqualified

A copy of the full report can be  
obtained by calling 517.334.8050  
or by visiting our Web site at:  
[www.state.mi.us/audgen/](http://www.state.mi.us/audgen/)



Michigan Office of the Auditor General  
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Lansing, Michigan 48913

**Thomas H. McTavish, C.P.A.**  
Auditor General

**James S. Neubecker, C.P.A., C.I.A., D.P.A.**  
Executive Deputy Auditor General

**Scott M. Strong, C.P.A.**  
Director of Audit Operations



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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

June 25, 2003

The Honorable Mike Cox  
Attorney General  
G. Mennen Williams Building  
Lansing, Michigan

Dear Mr. Cox:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of Attorney General for the period October 1, 2000 through September 30, 2002.

This report contains our report summary; our independent auditor's report on the financial schedules; and the Department of Attorney General financial schedules, notes to the financial schedules, and supplemental financial schedules. This report also contains our independent auditor's reports on compliance and on internal control over financial reporting and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133 and our schedule of findings and questioned costs. In addition, this report contains the Department's summary schedule of prior audit findings, its corrective action plan, and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.  
Auditor General

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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on the Financial Schedules

March 4, 2003

The Honorable Mike Cox  
Attorney General  
G. Mennen Williams Building  
Lansing, Michigan

Dear Mr. Cox:

We have audited the financial schedules of the Department of Attorney General for the fiscal years ended September 30, 2002 and September 30, 2001, as identified in the table of contents. These financial schedules are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the financial schedules include only the revenues and transfers and the sources and disposition of authorizations for the Department of Attorney General's General Fund accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Department or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

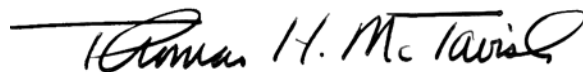


In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and transfers and the sources and disposition of authorizations of the Department of Attorney General for the fiscal years ended September 30, 2002 and September 30, 2001, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2003 on our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the left side of the name.

Thomas H. McTavish, C.P.A.  
Auditor General

DEPARTMENT OF ATTORNEY GENERAL  
Schedule of General Fund Revenues and Transfers  
Fiscal Years Ended September 30

	<u>2002</u>	<u>2001</u>
REVENUES		
From federal agencies	\$ 3,797,154	\$ 3,885,229
From services	931,265	1,019,840
From licenses and permits	242,191	324,555
Miscellaneous	3,371,616	1,834,322
Subtotal	<u>\$ 8,342,226</u>	<u>\$ 7,063,946</u>
 Revenues collected by other departments (Note 2)	 <u>3,145,100</u>	 <u>2,882,937</u>
 Total Revenues	 <u>\$ 11,487,326</u>	 <u>\$ 9,946,883</u>
TRANSFERS		
From other funds for services provided	\$ 4,510,915	\$ 4,421,954
 Total Transfers	 <u>\$ 4,510,915</u>	 <u>\$ 4,421,954</u>
 Total Revenues and Transfers	 <u><u>\$ 15,998,241</u></u>	 <u><u>\$ 14,368,837</u></u>

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF ATTORNEY GENERAL  
Schedule of Sources and Disposition of General Fund Authorizations  
Fiscal Years Ended September 30

	<u>2002</u>	<u>2001</u>
SOURCES OF AUTHORIZATIONS (Note 3)		
General purpose appropriations	\$ 35,475,300	\$ 35,271,000
Balances carried forward	210,578	748,778
Restricted financing sources	21,570,007	20,316,974
Less: Intrafund expenditure reimbursements	<u>(8,286,438)</u>	<u>(8,263,118)</u>
Total	<u>\$ 48,969,447</u>	<u>\$ 48,073,634</u>
DISPOSITION OF AUTHORIZATIONS (Note 3)		
Gross expenditures	\$ 55,601,474	\$ 55,427,284
Less: Intrafund expenditure reimbursements	<u>(8,286,438)</u>	<u>(8,263,118)</u>
Net expenditures	<u>\$ 47,315,037</u>	<u>\$ 47,164,166</u>
Balances carried forward:		
Encumbrances	\$ 151,016	\$ 172,767
Restricted revenues - not authorized	<u>613,354</u>	<u>37,811</u>
Total balances carried forward	<u>\$ 764,370</u>	<u>\$ 210,578</u>
Balances lapsed	<u>\$ 890,040</u>	<u>\$ 698,890</u>
Total	<u>\$ 48,969,447</u>	<u>\$ 48,073,634</u>

The accompanying notes are an integral part of the financial schedules.

## Notes to the Financial Schedules

### Note 1 Significant Accounting Policies

#### a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Department of Attorney General for the fiscal years ended September 30, 2002 and September 30, 2001. The financial transactions of the Department are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to the Department of Attorney General. The SOMCAFR provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies; Budgeting, Budgetary Control, and Legal Compliance; Pension Benefits and Other Postemployment Benefits; and Compensated Absences.

#### b. Measurement Focus, Basis of Accounting, and Presentation

The financial schedules contained in this report are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, as provided by generally accepted accounting principles applicable to governments. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term obligations are recorded only when payment is due and payable.

The accompanying financial schedules include only the revenues and transfers and the sources and disposition of authorizations for the Department of Attorney General's General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Department or the State's

General Fund in accordance with generally accepted accounting principles.

Note 2 Revenues Collected by Other Departments

At the other State departments' discretion, nonfederal revenues are sent to the Department of Attorney General to fund its operations, which include providing legal services to the other State departments. From the \$3,145,000 reported on this line for fiscal year 2001-02, \$193,762 was related to services revenue, \$1,337,053 to licenses and permits revenue, and \$1,614,285 to miscellaneous revenue. From the \$2,882,937 reported on this line for fiscal year 2000-01, \$186,623 was related to services revenue, \$1,425,607 to licenses and permits revenue, and \$1,270,707 to miscellaneous revenue.

Note 3 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenues.
- b. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenues - authorized or restricted revenues - not authorized.
- c. Intrafund expenditure reimbursements: Funding from other General Fund departments to finance a program or a portion of a program that is the responsibility of the receiving department.
- d. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal

year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.

- e. Restricted revenues - not authorized: Revenues that, by statute, are restricted for use to a particular program or activity. However, the Department had not received legislative authorization to expend the revenues.
- f. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.

# SUPPLEMENTAL FINANCIAL SCHEDULES

DEPARTMENT OF ATTORNEY GENERAL  
Schedule of Certain General Fund Assets and Liabilities  
As of September 30

	<u>2002</u>	<u>2001</u>
ASSETS		
Accounts Receivable:		
From federal agencies	\$ 125,248	\$ 1,083,340
From component units	<u>63,709</u>	<u>65,389</u>
Total Accounts Receivable	\$ 188,957	\$ 1,148,729
Other assets	\$ 554,525	\$ 529,377
LIABILITIES		
Accounts payable and other liabilities	\$ 790,137	\$ 1,651,611
Deferred revenue	\$ 8,605	\$ 2,006

This schedule is not a balance sheet and is not intended to report financial position. The schedule presents certain General Fund assets and liabilities that are the responsibility of the Department of Attorney General. The schedule does not include assets and liabilities that are accounted for centrally by the State, such as equity in Common Cash, cash in transit, and warrants outstanding.



DEPARTMENT OF ATTORNEY GENERAL  
Schedule of Disposition of General Fund Authorizations by Fund Source  
Fiscal Years Ended September 30

	2002			
	Total Sources	Expenditures	Balances Carried Forward	Balances Lapsed
Attorney General:				
State General Fund/general purpose	\$ 124,900	\$ 124,900	\$	\$
Unclassified Positions:				
State General Fund/general purpose	246,900	240,776		6,124
Attorney General Operations:				
State General Fund/general purpose	33,961,700	32,931,254	151,016	879,430
State General Fund/general purpose - Appropriation Year 2000-01	172,767	168,281		4,485
State General Fund/general purpose - Appropriation Year 1999-2000				
State General Fund/general purpose - Appropriation Year 1998-99				
Interdepartmental Grant Revenues:				
CIS - Health services	966,144	966,144		
MDOT - Comprehensive Transportation Fund	97,932	97,932		
MDOT - State Aeronautics Fund	68,967	68,967		
MDOT - State Trunkline Fund	1,714,825	1,714,825		
Federal Revenues:				
DAG, State administrative match grant/food stamps	549,412	549,412		
DOL-ETA, Unemployment insurance	1,148,065	1,148,065		
Federal funds	108,783	108,783		
Federal funds - Appropriation Year 1998-99				
HHS - OS, State Medicaid fraud control units	3,267,677	3,267,677		
HHS, Medical assistance, medigrant	292,545	292,545		
Special Revenues:				
Accident Fund Company revenue	927,026	927,026		
Accident Fund Company revenue - Appropriation Year 2000-01	6,160	6,160		
Antitrust enforcement collections	543,932	445,543	98,389	
Auto repair facilities fees	132,738	132,738		
Corporate and securities fees	122,437	122,437		
Franchise fees	241,300	241,300		
Game and Fish Protection Fund	484,406	484,406		
Liquor Purchase Revolving Fund	863,225	863,225		
Michigan State Housing Development Authority fees	257,471	257,471		
Michigan Underground Storage Tank Financial Assurance Fund	66,912	66,912		
Manufactured housing fees	115,734	115,734		
Prisoner reimbursement	211,937	211,937		
Michigan State Waterways Fund	66,583	66,583		
Prosecuting Attorneys Coordinating Council (PACC):				
State General Fund/general purpose	1,141,800	1,141,799		1
State General Fund/general purpose - Appropriation Year 1999-2000				
Prosecuting attorneys training fees	166,048	166,048		
PACC - Training Project:				
MSP - Michigan Justice Training Fund	297,112	297,112		
Litigation Expense Reimbursement Act:				
Litigation Reimbursement Fund	589,043	89,043	500,000	
Total Reported by the Department of Attorney General	\$ 48,954,482	\$ 47,315,037	\$ 749,405	\$ 890,040

This schedule continued on next page.

2001			
Total Sources	Expenditures	Balances Carried Forward	Balances Lapsed
\$ 124,900	\$ 124,900	\$	\$
331,100	331,006		94
33,630,200	32,909,959	172,767	547,475
172,602	75,222		97,380
291,856	237,914		53,942
1,071,631	1,071,631		
69,506	69,506		
1,637,097	1,637,097		
502,325	502,325		
1,222,135	1,222,135		
124,823	124,823		
3,127,139	3,127,139		
324,517	324,517		
1,017,633	1,011,473	6,160	
284,470	284,470		
115,819	115,819		
122,500	122,500		
187,305	187,305		
511,813	511,813		
840,300	840,300		
252,012	252,012		
73,886	73,886		
115,656	115,656		
167,761	167,761		
67,216	67,216		
1,184,800	1,184,800		
4,727	4,727		
209,821	209,821		
256,429	256,429		
\$ 48,041,983	\$ 47,164,166	\$ 178,927	\$ 698,890

DEPARTMENT OF ATTORNEY GENERAL  
Schedule of Disposition of General Fund Authorizations by Fund Source  
Fiscal Years Ended September 30  
*Continued*

	2002			
	Total Sources	Expenditures	Balances Carried Forward	Balances Lapsed
Attorney General Expenditures Reported by Other Agencies:				
Family Independence Agency	\$ 2,450,461	\$ 2,450,461	\$	\$
Family Independence Agency - Appropriation Year 1999-2000	11,454	11,454		
CIS - Financial and Insurance Services	102,100	102,100		
CIS - Public utility assessments	1,538,940	1,523,975	14,965	
Michigan Gaming Control Board	671,060	671,060		
DED - OPSE, Student loan, federal lender allowance	198,827	198,827		
DOL - OSHA, Occupational safety and health	70,297	70,297		
EPA, Multiple grants	220,298	220,298		
Federal funds (Operations)	367,551	367,551		
Collections revenue	471,421	471,421		
Environmental Response Fund	317,002	317,002		
Oil and gas privilege fee revenue	121,596	121,596		
Retirement funds	499,674	499,674		
Second Injury Fund	369,793	369,793		
Self-Insurers' Security Fund	61,648	61,648		
Silicosis, Dust Disease, and Logging Industry Compensation Fund	184,849	184,849		
Michigan State Hospital Finance Authority	237,901	237,901		
State Lottery Fund	152,263	152,263		
Workers' Compensation Administrative Revolving Fund	129,847	129,847		
Federal funds (PACC)	124,421	124,421		
Total Reported by Other Agencies	\$ 8,301,402	\$ 8,286,438	\$ 14,965	\$ 0
Total Reported	\$ 57,255,884	\$ 55,601,474	\$ 764,370	\$ 890,040

2001			
Total Sources	Expenditures	Balances Carried Forward	Balances Lapsed
\$ 2,414,780	\$ 2,414,780	\$	\$
139,024	108,251	30,773	
56,260	56,260		
1,463,229	1,463,229		
650,210	649,332	878	
197,908	197,908		
78,765	78,765		
232,692	232,692		
407,139	407,139		
471,886	471,886		
397,735	397,735		
118,767	118,767		
500,823	500,823		
412,470	412,470		
68,936	68,936		
206,463	206,463		
178,347	178,347		
158,259	158,259		
20,327	20,327		
120,748	120,748		
<u>\$ 8,294,769</u>	<u>\$ 8,263,118</u>	<u>\$ 31,651</u>	<u>\$ 0</u>
<u>\$ 56,336,752</u>	<u>\$ 55,427,284</u>	<u>\$ 210,578</u>	<u>\$ 698,890</u>

DEPARTMENT OF ATTORNEY GENERAL  
Schedule of Expenditures of Federal Awards (1)  
For the Period October 1, 2000 through September 30, 2002

		For the Fiscal Year Ended September 30, 2001			
Federal Agency/Program	CFDA (2) Number	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<b><u>U.S. Department of Justice</u></b>					
Direct Program:					
Community Prosecution and Project Safe Neighborhoods	16.609		\$ 0	\$ 0	\$ 0
Pass-Through Program:					
Department of Community Health					
Byrne Formula Grant Program	16.579	70857-2K00 71172-2K00	\$ 553,444	\$ 0	\$ 553,444
<b>Total U.S. Department of Justice</b>			<b>\$ 553,444</b>	<b>\$ 0</b>	<b>\$ 553,444</b>
<b><u>U.S. Department of Health and Human Services</u></b>					
Direct Program:					
State Medicaid Fraud Control Units	93.775		\$ 3,016,471	\$ 0	\$ 3,016,471
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,016,471</b>	<b>\$ 0</b>	<b>\$ 3,016,471</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,569,915</b>	<b>\$ 0</b>	<b>\$ 3,569,915</b>

(1) Basis of Presentation: This schedule includes the federal grant activity of the Department of Attorney General and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

For the Fiscal Year Ended September 30, 2002

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	Total Expended and Distributed for the Two-Year Period
	<u>\$ 33,308</u>	<u>\$ 0</u>	<u>\$ 33,308</u>	<u>\$ 33,308</u>
70857-3K01	\$ 509,936	\$ 0	\$ 509,936	\$ 1,063,380
71172-3K01				
	<u>\$ 543,244</u>	<u>\$ 0</u>	<u>\$ 543,244</u>	<u>\$ 1,096,688</u>
	\$ 2,897,568	\$ 0	\$ 2,897,568	\$ 5,914,039
	<u>\$ 2,897,568</u>	<u>\$ 0</u>	<u>\$ 2,897,568</u>	<u>\$ 5,914,039</u>
	<u>\$ 3,440,812</u>	<u>\$ 0</u>	<u>\$ 3,440,812</u>	<u>\$ 7,010,727</u>



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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

March 4, 2003

The Honorable Mike Cox  
Attorney General  
G. Mennen Williams Building  
Lansing, Michigan

Dear Mr. Cox:

We have audited the financial schedules of the Department of Attorney General for the fiscal years ended September 30, 2002 and September 30, 2001, as identified in the table of contents, and have issued our report thereon dated March 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Department's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State's management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the start of the name.

Thomas H. McTavish, C.P.A.  
Auditor General





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AUDITOR GENERAL

Independent Auditor's Report on Compliance With  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

March 4, 2003

The Honorable Mike Cox  
Attorney General  
G. Mennen Williams Building  
Lansing, Michigan

Dear Mr. Cox:

Compliance

We have audited the compliance of the Department of Attorney General with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the two-year period ended September 30, 2002. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department of Attorney General complied, in all material respects, with the requirements referred to in the second previous paragraph that are applicable to each major federal program for the two-year period ended September 30, 2002.

#### Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State's management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a horizontal line extending from the left side of the first name.

Thomas H. McTavish, C.P.A.  
Auditor General

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS\*

## Section I: Summary of Auditor's Results

### Financial Schedules

Type of auditor's report issued:	Unqualified*
Internal control* over financial reporting:	
Material weaknesses* identified?	No
Reportable conditions* identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial schedules?	No

### Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	No

\* See glossary at end of report for definition.

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.579	Byrne Formula Grant Program
93.775	State Medicaid Fraud Control Units

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee\*? No

## **Section II: Findings Related to the Financial Schedules**

We did not report any findings related to the financial schedules.

## **Section III: Findings and Questioned Costs Related to Federal Awards**

We did not report any findings related to federal awards.

*\* See glossary at end of report for definition.*

## OTHER SCHEDULES

DEPARTMENT OF ATTORNEY GENERAL  
Summary Schedule of Prior Audit Findings  
As of September 30, 2002

There were no findings in the prior Department of Attorney General Single Audit.

DEPARTMENT OF ATTORNEY GENERAL  
Corrective Action Plan  
As of March 4, 2003

There were no findings for fiscal years 2000-01 and 2001-02.

## **Glossary of Acronyms and Terms**

<b>CFDA</b>	<i>Catalog of Federal Domestic Assistance.</i>
<b>CIS</b>	Department of Consumer and Industry Services.
<b>DAG</b>	U.S. Department of Agriculture.
<b>DED-OPSE</b>	U.S. Department of Education - Office of Post Secondary Education.
<b>DOL-ETA</b>	U.S. Department of Labor - Employment and Training Administration.
<b>DOL-OSHA</b>	U.S. Department of Labor - Occupational Safety and Health Administration.
<b>EPA</b>	U.S. Environmental Protection Agency.
<b>financial audit</b>	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
<b>HHS</b>	U.S. Department of Health and Human Services.
<b>HHS-OS</b>	U.S. Department of Health and Human Services - Office of the Secretary.
<b>internal control</b>	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
<b>low-risk auditee</b>	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an



annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.

**material misstatement** A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.

**material noncompliance** Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or financial statement amounts.

**material weakness** A reportable condition related to the design or operation of internal control that does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**MDOT** Michigan Department of Transportation.

**MSP** Michigan Department of State Police.

**OMB** U.S. Office of Management and Budget.

**PACC** Prosecuting Attorneys Coordinating Council.

**questioned cost** A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant,

cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

**reportable condition**

A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

**Single Audit**

A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.

**SOMCAFR**

*State of Michigan Comprehensive Annual Financial Report.*

**subrecipient**

A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.

## unqualified opinion

An auditor's opinion in which the auditor states that:

- a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or
- b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules taken by themselves; or
- c. The audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.